

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Thumb Area Employment and Training Consortium	County Sanilac
Audit Date June 30, 2005	Opinion Date September 28, 2005	Date Accountant Report Submitted to State: October 7, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

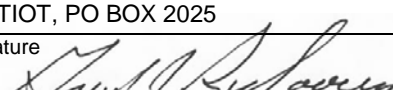
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			



# **Thumb Area Employment and Training Consortium**

**Marlette, Michigan**

## **Financial Statements**

**For the Year Ended  
June 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

## INDEPENDENT AUDITORS' REPORT

September 28, 2005

The Board of Directors  
Thumb Area Employment and  
Training Consortium  
Marlette, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of **Thumb Area Employment and Training Consortium** (the "Consortium") as of and for the year ended June 30, 2005, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Consortium as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2005, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents management's discussion and analysis of Thumb Area Employment and Training Consortium's (hereon referred to as "the Consortium") performance during the fiscal year ending June 30, 2005. Please read this along with the financial statements of the Consortium.

### **Financial Highlights**

- The assets of the Consortium exceeded its liabilities at the close of the June 30, 2005, fiscal year by \$148,404 (net assets). Of this amount, \$132,521 (unrestricted net assets) may be used to meet the government's ongoing obligations for Consortium programs.
- The General Fund received \$5,467,543 in revenues and had \$5,466,182 in expenditures. The General Fund's fund balance increased to \$132,521 from \$131,160.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$132,521 or 2% of total General Fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to provide a basis of understanding of the Consortium's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

### **Government –Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Consortium's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Consortium's assets and liabilities, with the differences between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Consortium is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Thumb Area Employment and Training Consortium, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Consortium maintains one governmental fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Thumb Area Employment and Training Consortium adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

### **Notes to the financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by \$148,404 at the end of the June 30, 2005 fiscal year.

<b>Summary of Net Assets</b>	<b>Year Ended <u>June 2004</u></b>	<b>Year Ended <u>June 2005</u></b>
<b>Assets</b>		
Current Assets	\$ 572,745	\$ 644,538
Capital Assets, net	<u>12,000</u>	<u>15,883</u>
Total assets	<u>584,745</u>	<u>660,421</u>
<b>Liabilities</b>		
Current Liabilities	<u>441,585</u>	<u>512,017</u>
<b>Net Assets</b>		
Invested in capital assets	12,000	15,883
Unrestricted	<u>131,160</u>	<u>132,521</u>
Total Net Assets	<u>\$ 143,160</u>	<u>\$ 148,404</u>



Net assets are separated into two major components; invested in capital assets (e.g., equipment), which amounted to \$15,883 or 11% of net assets and unrestricted net assets of \$132,521 or 89% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

The Consortium's net assets increased by \$5,244 during the current fiscal year. This increase largely reflects the degree to which ongoing revenues exceeded ongoing expenses during the year.

<b>Statement of Activities</b>	<b>Year Ended <u>June 2004</u></b>	<b>Year Ended <u>June 2005</u></b>
<b>Revenue</b>		
Federal grant revenue	\$ 5,756,825	\$5,092,278
State grant revenue	132,940	373,645
Interest	<u>1,355</u>	<u>1,620</u>
Total revenue	<u>5,891,120</u>	<u>5,467,543</u>
<b>Function/Program expenses</b>		
Administration	481,303	436,383
Direct Program Services	3,752,631	2,960,617
Supportive services	302,315	340,842
Service Center Program	374,400	777,626
In-School	188,956	237,110
Out-of-School	702,088	581,406
Computerization	-	20,910
Other program expenses	87,563	102,547
Corporate expenses	2,553	141
Unallocated depreciation	<u>6,300</u>	<u>4,717</u>
Total Expenses	<u>5,898,109</u>	<u>5,462,299</u>
<b>Increase (decrease) in Net Assets</b>	<u>\$ (6,989)</u>	<u>\$ 5,244</u>

The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

### **Summary of Fund Financial Statements**

**Governmental fund.** As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Consortium's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Consortium's governmental fund reported an ending fund balance of \$132,521, an increase of \$1,361 from the prior year. 100% or \$132,521 of the fund balance constitutes unreserved fund balance, which is available for spending at the Consortium's discretion.

The increase in the fund balance of \$1,361 indicates that expenditures were about equal to revenues for the year. The increase is primarily related to an increase in interest earnings.

### **General Fund Budget**

By law, the Consortium must establish an original budget in June, with a beginning fiscal date of July 1, for the General Fund. Budgets are revised when necessary, depending on grant/funding source adjustments. Approximately 99% of the Consortium's revenue comes from the Michigan Department of Career Development (specific program grants).

State law requires that budgets be amended to ensure that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

The General Fund received \$5,467,543 in revenues and had \$5,466,182 in expenditures. The General Fund's fund balance increased to \$132,521 from \$131,850.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$132,521 or 2% of total General Fund expenditures.

The actual General Fund expenditures were within 80% of the final budget amounts. The decrease in the actual General Fund revenues and expenditures from the final budgeted amounts is due to the fact that several of the grants are on an October to September fiscal year. Thus, the budget for these programs is for two of the Consortium's fiscal years and the unspent portion is carried over to the subsequent fiscal year.

### **Capital Assets**

As of June 30, 2005, the Consortium had \$15,883 in capital assets consisting of various pieces of equipment.

#### **Capital Assets (Net of depreciation)**

	<b><u>June 30, 2004</u></b>	<b><u>June 30, 2005</u></b>
Equipment	\$ 35,500	\$ 44,100
Less accumulated depreciation	<u>(23,500)</u>	<u>(28,217)</u>
Net Capital Assets	<u>\$ 12,000</u>	<u>\$ 15,883</u>

### **Economic Factors and Next Year's Budget**

Since the Consortium's expenditures are primarily grant funded, the next year's budget is affected by current and future funding levels of the state and federal governments. Any changes at the grantor could either negatively or positively affect the future appropriations of the Consortium. There are no anticipated significant changes in the 2005 fiscal year grants.

### **Requests for Information**

This financial report is designed to provide a general overview of the Consortium's finances, and to demonstrate the Consortium's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Fiscal Controller, Thumb Area Employment and Training Consortium, 3720 Wilson, Marlette, MI 48453.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**Thumb Area Employment and Training Consortium**  
Marlette, Michigan

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
**JUNE 30, 2005**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash	\$ 147,091	\$ -	\$ 147,091
Grants receivable	497,447	-	497,447
Capital assets - net	-	15,883	15,883
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 644,538</u></u>	<u>15,883</u>	<u>660,421</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 435,340	-	435,340
Accrued payroll and related expenses	17,760	-	17,760
Unearned revenue	58,917	-	58,917
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	512,017	<u>-</u>	<u>512,017</u>
<b>FUND BALANCE</b>			
Unreserved fund balance	<u>132,521</u>	<u>(132,521)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 644,538</u></u>		
<b>NET ASSETS</b>			
Invested in capital assets		15,883	15,883
Unrestricted		<u>132,521</u>	<u>132,521</u>
<b>TOTAL NET ASSETS</b>		<u><u>\$ 148,404</u></u>	<u><u>\$ 148,404</u></u>

The accompanying notes are an integral part of the financial statements.

**Thumb Area Employment and Training Consortium**  
Marlette, Michigan

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUE</b>			
<b>Grant Revenue</b>			
Federal grant revenue	\$ 5,092,278	\$ -	\$ 5,092,278
State grant revenue	373,645	-	373,645
Net Grant Revenue	5,465,923	-	5,465,923
Interest income	1,620	-	1,620
<b>Total Revenue</b>	<u>5,467,543</u>	<u>-</u>	<u>5,467,543</u>
<b>EXPENDITURES / EXPENSES</b>			
<b>Program Expenditures / Expenses</b>			
Administration	444,983	(8,600)	436,383
Direct Program Services	2,960,617	-	2,960,617
Supportive services	340,842	-	340,842
Service Center Program	777,626	-	777,626
In-School	237,110	-	237,110
Out-of-School	581,406	-	581,406
Computerization	20,910	-	20,910
Other	102,547	-	102,547
Total Program Expenditures / Expenses	5,466,041	(8,600)	5,457,441
Corporate	141		141
Depreciation	-	4,717	4,717
<b>Total Expenditures / Expenses</b>	<u>5,466,182</u>	<u>(3,883)</u>	<u>5,462,299</u>
<b>Net change in fund balance</b>	1,361	(1,361)	-
<b>Change in net assets</b>		5,244	5,244
Fund balance/Net Assets - June 30, 2004	131,160	12,000	143,160
<b>FUND BALANCE/NET ASSETS - JUNE 30, 2005</b>	<u>\$ 132,521</u>	<u>\$ 15,883</u>	<u>\$ 148,404</u>

The accompanying notes are an integral part of the financial statements.

## **FUND FINANCIAL STATEMENTS**



# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Marlette, Michigan

## STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
<b>REVENUE</b>				
<b>Grant Revenue</b>				
Federal grant revenue	\$ 5,845,263	\$ 6,448,002	\$ 5,092,278	\$ (1,355,724)
State grant revenue	374,579	382,965	373,645	(9,320)
Total grant revenue	6,219,842	6,830,967	5,465,923	(1,365,044)
Interest income	-	-	1,620	1,620
<b>Total Revenue</b>	<u>6,219,842</u>	<u>6,830,967</u>	<u>5,467,543</u>	<u>(1,363,424)</u>
<b>EXPENDITURES</b>				
<b>Program Expenditures</b>				
Administration	558,627	765,665	444,983	(320,682)
Direct Program Services	3,728,156	3,986,140	2,960,617	(1,025,523)
Supportive services	470,361	509,361	340,842	(168,519)
Service Center Program	578,083	573,115	777,626	204,511
In-School	340,000	336,300	237,110	(99,190)
Out-of-School	500,000	500,000	581,406	81,406
Computerization	35,000	54,000	20,910	(33,090)
Other	105,906	106,386	102,547	(3,839)
Total Program Expenditures	6,316,133	6,830,967	5,466,041	(1,364,926)
Corporate	-	-	141	141
<b>Total Expenditures</b>	<u>6,316,133</u>	<u>6,830,967</u>	<u>5,466,182</u>	<u>(1,364,785)</u>
<b>Net change in fund balance</b>	(96,291)	-	1,361	1,361
Fund balance - July 1, 2004	<u>131,160</u>	<u>131,160</u>	<u>131,160</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30, 2005</b>	<u>\$ 34,869</u>	<u>\$ 131,160</u>	<u>\$ 132,521</u>	<u>\$ 1,361</u>

The accompanying notes are an integral part of the financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of **Thumb Area Employment and Training Consortium** (the “Consortium”), a consortium of governments organized in 1983 to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies of the Consortium are described below.

#### A. Reporting Entity

As indicated above, the Consortium is a consortium of governments, and includes the counties of Tuscola, Lapeer, Huron, and Sanilac. The Consortium is primarily supported through federal and state grants, approximately 99% of which is provided by the Michigan Department of Labor and Economic Growth. The Consortium is not a component unit of the aforementioned counties and has no entities included in its financial statements as component units.

#### B. Government–Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are used to account for the receipt and disbursement of monies for general operations, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Consortium has no business-type activities.

The general fund is the Authority’s only major fund and is reported as a separate column in the financial statements.

# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

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### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Consortium reports the following major governmental fund:

The *general fund* is the Consortium's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund. There are no financial resources currently required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Consortium's policy to use restricted resources first, then unrestricted resources as they are needed.

# **THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM**

## **NOTES TO FINANCIAL STATEMENTS**

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### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. Deposits and Investments**

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts and amounts deposited in savings accounts.

#### **2. Grant Receivables and Unearned Revenue**

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenditure is incurred. Receivables are recorded for those grants where expenditures are in excess of the cash received at year-end. Unearned revenue is recorded for those grants where grant proceeds were received in excess of expenditures incurred at year-end.

#### **3. Capital Assets**

Capital assets, which include equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Consortium as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the Consortium are depreciated using the straight line method over 5-10 year lives.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgets and Budgetary Accounting**

A comparison to budget is presented for the General Fund as required by generally accepted accounting principles. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). General Fund expenditures are budgeted for each of the Consortium's programs and are amended as funding levels change.

# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

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The Consortium had excess of expenditures over appropriations at the legal level of budgetary control:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditure</u>
General Fund			
Service Center Program	\$ 573,115	\$ 777,626	\$ (204,511)
Out-of-School	500,000	581,406	(81,406)
Corporate	-	141	(141)

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

Deposits are carried at cost. Deposits of the Consortium are at various banks in the name of the Consortium's Executive Director. The carrying amount of the deposits was \$147,091 at June 30, 2005.

#### Statutory Authority

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Consortium's investment policy does not authorize use of external investment pools.

# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

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### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Consortium's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Consortium investment policy does not have specific limits in excess of state law on investment credit risk.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Consortium deposits may not be returned. State law does not require and the Consortium does not have a policy for deposit custodial credit risk. As of year end \$100,911 of the Consortium's bank balance of \$301,390 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Ending Balance</u></b>
Capital assets being depreciated				
Equipment	\$ 35,500	\$ 8,600	\$ -	\$ 44,100
Less accumulated depreciation				
Equipment	<u>(23,500)</u>	<u>(4,717)</u>	<u>-</u>	<u>(28,217)</u>
Total capital assets being depreciated, net	<u>\$ 12,000</u>	<u>\$ (3,883)</u>	<u>\$ -</u>	<u>\$ 15,883</u>

# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

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### C. Operating Leases

The Consortium leases various facilities for operation of its programs. Rent expense for the office facilities was \$176,884 for the year ended June 30, 2005.

The Consortium's future minimum rental commitments for office facilities at June 30, 2005, is as follows:

<b>Fiscal Year Ending June 30</b>	<b><u>Amount</u></b>
2006	\$ 119,279
2007	104,400
2008	<u>13,600</u>
Total	<u>\$ 237,279</u>

## IV. OTHER INFORMATION

### A. Risk Management

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. During the year ended June 30, 2005, the Consortium carried commercial insurance to cover all risks of losses. The Consortium had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### B. Retirement Plan

All full-time employees of the Consortium are covered by the Thumb Area Employment and Training Consortium Retirement Plan, a defined contribution pension plan. The Board voted to contribute double the employees' IRA contributions up to \$2,000 per employee. Benefits vest 100 percent immediately. Plan provisions and contribution requirements are established and may be amended by the Board. The Plan is administered by the various financial institutions that house the employees' IRA accounts. Employer contributions for the year ended June 30, 2005 amounted to \$17,100. In addition, \$8,550 of employee contributions were made.



# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

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### C. Commitments And Contingencies

In the normal course of operations, the Consortium becomes a party to various claims and lawsuits. In the opinion of the legal council and Consortium management, the ultimate resolution of such matters will not have a material effect on the financial position of the Consortium. There were no pending claims or lawsuits during the year ended June 30, 2005.

In addition, the Consortium has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

### D. Adjustments

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net assets, which reconciles fund balance to net assets:

Governmental fund balance	\$ 132,521
Adjustments:	
Capital assets	44,100
Accumulated depreciation	<u>(28,217)</u>
Net assets of governmental activities	<u>\$ 148,404</u>

Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles changes in fund balance to net assets:

Change in fund balance	\$ 1,361
Adjustments:	
Capital outlay	8,600
Depreciation expense	<u>(4,717)</u>
Change in net assets	<u>\$ 5,244</u>

\* \* \* \* \*

## **SINGLE AUDIT SECTION**

## Thumb Area Employment and Training Consortium

Marlette, Michigan

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2005

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE</b>						
<b>Department of Agriculture</b>						
10.561	N/A	State Administrative Matching Grants For Food Stamp Program	Michigan Dept. of Labor & Economic Growth	10/01/03-09/30/04	\$ 40,178	\$ 7,990
10.561	N/A	State Administrative Matching Grants For Food Stamp Program	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	31,029	17,903
		<b>Subtotal 10.561</b>				<u>25,893</u>
<b>Department of Defense</b>						
12.002	SP4800-01-2-0117	Procurement Technical Assistance For Business Firms	Warren, Centerline, Sterling Heights Chamber of Commerce	10/01/03-09/30/04	30,000	5,541
12.002	SP4800-03-2-0310	Procurement Technical Assistance For Business Firms	Warren, Centerline, Sterling Heights Chamber of Commerce	10/01/04-09/30/05	30,000	30,000
		<b>Subtotal 12.002</b>				<u>35,541</u>
<b>Department of Labor</b>						
17.207	N/A	Employment Service	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	502,347	429,527
17.207	N/A	Reemployment Service	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	44,480	34,501
		<b>Subtotal 17.207</b>				<u>464,028</u>
17.245	N/A	Trade Adjustment Assistance	Michigan Dept. of Labor & Economic Growth	10/01/03-09/30/04	336,019	105,938
17.245	N/A	Trade Adjustment Assistance	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	8,982	8,982
		<b>Subtotal 17.245</b>				<u>114,920</u>
17.258/17.259/17.260	N/A	WIA Administration	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	479,170	277,358
17.258/17.259/17.260	N/A	WIA State-Wide Activities	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	2,809	2,809
17.258/17.259/17.260	N/A	WIA State-Wide Activities	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	63,982	56,242
17.258/17.259/17.260	N/A	WIA State-Wide Activities	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	24,000	24,000
		<b>Subtotal 17.258/17.259/17.260</b>				<u>360,409</u>
17.258	N/A	WIA Adult	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	1,364,049	1,115,204
17.259	N/A	WIA Youth	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	836,300	818,488
17.260	N/A	WIA Dislocated Worker	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	1,188,725	945,830
17.260	N/A	WIA DW National Reserve	Michigan Dept. of Labor & Economic Growth	07/01/04-06/30/05	47,132	47,132
17.260	1227	WIA NEG	Michigan Dept. of Labor & Economic Growth	07/01/03-09/30/04	30,000	6,653
		<b>Subtotal 17.260</b>				<u>999,615</u>

# Thumb Area Employment and Training Consortium

Marlette, Michigan

Schedule A  
(continued)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2005

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (continued)</b>						
<b>Reed Act Distribution</b>						
N/A	N/A	Reed Act-Workfirst	Michigan Dept. of Labor & Economic Growth	10/01/03-09/30/04	\$ 774,934	\$ 231,316
N/A	N/A	Reed Act-Workfirst	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	221,927	221,927
N/A	N/A	Reed Act-Service Center Operations	Michigan Dept. of Labor & Economic Growth	10/01/03-09/30/04	94,790	24,077
N/A	N/A	Reed Act-Service Center Operations	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	94,339	62,135
<b>Subtotal Unknown (Note 2)</b>						<u>539,455</u>
<b>Department of Education</b>						
<b>Department of Health and Human Services</b>						
93.558	N/A	TANF Workfirst	Michigan Dept. of Labor & Economic Growth	10/01/03-09/30/04	347,725	50,840
93.558	N/A	TANF Workfirst	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	949,480	564,447
93.558	N/A	TANF Transportation to Work	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	3,438	3,438
<b>Subtotal 93.558</b>						<u>618,725</u>
<b>Total Federal Programs</b>						<u>5,092,278</u>
<b>Other State and Local Programs</b>						
N/A	N/A	GF/GP WtW	Michigan Dept. of Labor & Economic Growth	1/24/04-9/30/04	68,129	68,129
N/A	N/A	GF/GP Workfirst	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	242,110	242,110
N/A	085P1000073	Technical Assistance	Michigan Dept. of Labor & Economic Growth	10/01/03-09/30/04	32,500	8,039
N/A	085P1000073	Technical Assistance	Michigan Dept. of Labor & Economic Growth	10/01/04-09/30/05	40,000	35,448
N/A	N/A	Partnership for Adult Learning	Michigan Dept. of Labor & Economic Growth	10/01/02-09/30/04	121,848	19,919
<b>Total Other State and Local Programs</b>						<u>373,645</u>
<b>Unrestricted Activity</b>						<u>141</u>
<b>TOTAL</b>						<u>\$ 5,466,064</u>
<b>Reconciliation of Expenditures with Statement of Revenues, Expenditures and Changes in Fund Balance:</b>						
Expenditures on Statement of Revenues, Expenditures and Changes in Fund Balance				\$ 5,466,182		
Interest income related expenditures				118		
<b>Expenditures on this schedule</b>				<u>\$ 5,466,064</u>		

### NOTES:

(1) The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Thumb Area Employment and Training Consortium and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

(2) To date no CFDA numbers have been issued to these grants.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

September 28, 2005

The Board of Directors  
Thumb Area Employment and  
Training Consortium  
Marlette, Michigan

We have audited the financial statements of the governmental activities and the major fund of the ***Thumb Area Employment and Training Consortium***, as of and for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the ***Thumb Area Employment and Training Consortium***'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the ***Thumb Area Employment and Training Consortium***'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Finance Committee and the ***Thumb Area Employment and Training Consortium*** Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

September 28, 2005

The Board of Directors  
Thumb Area Employment and  
Training Consortium  
Marlette, Michigan

**Compliance**

We have audited the compliance of the ***Thumb Area Employment and Training Consortium*** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The ***Thumb Area Employment and Training Consortium's*** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the ***Thumb Area Employment and Training Consortium's*** management. Our responsibility is to express an opinion on the ***Thumb Area Employment and Training Consortium's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ***Thumb Area Employment and Training Consortium's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ***Thumb Area Employment and Training Consortium's*** compliance with those requirements.

In our opinion, the *Thumb Area Employment and Training Consortium* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### **Internal Control Over Compliance**

The management of the *Thumb Area Employment and Training Consortium* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *Thumb Area Employment and Training Consortium's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



# THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

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### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: *Unqualified on basic financial statements*

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes  X  no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Reportable condition(s) identified not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

\_\_\_\_\_ yes  X  no

Identification of Major Programs:

#### CFDA Number(s)

#### Name of Federal Program or Cluster

17.258/17.259/17.260

Workforce Investment Act

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

# **THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

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Auditee qualified as low-risk auditee?          X     yes                 no

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

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There were no audit findings in the prior year.